

**441—10.4(541A) Eligibility, savings refunds and state tax provisions.**

**10.4(1) *Eligibility based on household income level.*** Eligibility shall be based on the account holder's household income for the calendar year preceding the calendar year in which the account will open. The household income shall not exceed 200 percent of the federal poverty level as published in the year for which the household income is based. If an account holder's household income should exceed 200 percent of the federal poverty level in any subsequent year following the year that the account holder established the account, the account shall remain open, but the account holder shall not be eligible to receive deposits of charitable contributions, the state savings refund, or make a deposit in the account during the year following the year when the household income exceeds 200 percent of the federal poverty level. If the prospective account holder files an income tax return on a fiscal-year basis, the household income must be computed on a calendar-year basis.

**10.4(2) *Countable income.*** The household's countable income shall include the Iowa net income as defined in Iowa Code section 422.7 with the following inclusions and exclusions:

- a. Inclusions to the extent not already included in Iowa net income, as follows:
  - (1) Capital gains.
  - (2) Alimony.
  - (3) Child support money.
  - (4) Cash public assistance and relief except property tax relief under Iowa Code chapter 425, property tax relief division.
  - (5) The gross payment amount of any pension or annuity including, but not limited to, railroad retirement benefits.
  - (6) Military retirement and veterans' disability pensions.
  - (7) Interest which is received from local, state or federal government securities.
  - (8) Workers' compensation.
  - (9) The gross amount of disability income or "loss of time" insurance.
- b. Exclusions, as follows:
  - (1) Gifts from nongovernmental sources.
  - (2) Surplus foods, including food stamps.
  - (3) Payments received by an individual under the age of 18 under the federal Social Security Act.
  - (4) Other in-kind relief supplied by a governmental agency.
- c. In determining income, income shall not be reduced by either a net operating loss carryover or by a capital loss carryover.

**10.4(3) *Determination of income status and eligibility.***

a. In lieu of applying the standards of the definition of "income" in subrule 10.4(2) to determine income status and eligibility of individuals to hold an IDA, the operating organization, at its discretion, may use evidence of the individual's eligibility in the calendar year preceding the calendar year in which the account will open, if applicable, for programs such as the family investment program, food stamps, public housing or rental assistance programs, or the low-income heating and energy assistance program as sufficient for determining initial eligibility to hold an IDA.

b. In order to determine the amount of countable household income of the individual seeking to open an IDA and to maintain household income records on an annual basis, the operating organization shall use any of the following methods or other methods deemed appropriate by the operating organization to obtain accurate income information:

(1) The operating organization shall ask both the individual who wishes to establish an IDA and other members of the individual's household who have filed federal or state income tax returns to furnish a copy of the returns with attached W-2 statements, or to sign a release of information form permitting the operating organization to receive from the Iowa department of revenue summary information indicating the Iowa net income, or to receive a copy of the state income tax return for the specific calendar year used to establish income eligibility to participate in the IDA program and for specified successive calendar years during which the IDA account is open. The operating organization shall protect the confidentiality of this information.

(2) If the individual and members of the individual's household have not filed federal or state income tax returns for the calendar year used to determine eligibility, the operating organization shall ask the individual to provide copies of available financial records of the household to determine the amount of countable income for the calendar year used to determine eligibility.

(3) The operating organization may also ask the individual seeking to hold an IDA to sign a release of information form allowing the operating organization to obtain individual and household income records held by agencies administering the programs mentioned above. The operating organization shall use this information to verify and maintain household income records of individuals seeking to hold an IDA, thereby facilitating the administration of the IDA program. The operating organization shall maintain the confidentiality of this information. Income determinations shall include the amount of the cash assistance provided through the programs referred to above.

(4) If an individual has minimal or no financial records and the operating organization determines that the totality of the individual's circumstances corroborates a credible explanation for the absence of said records, the operating organization may accept a written self-declaration from the individual as sufficient to document initial income eligibility to hold an IDA.

c. The operating organization shall obtain and maintain income information records from the account holder and all members of the account holder's family on a yearly basis to determine continued IDA eligibility.

**10.4(4) *Income tax exempt on income earned on principal in an IDA.*** Income earned on principal in an individual development account shall be exempt from state income tax even if the account holder's household income is greater than 200 percent of the federal poverty level for the tax year.

**10.4(5) *State savings refunds.*** The operating organization shall determine the account holder's household income and account deposits on an annual basis for the purpose of computing the state savings refund. On behalf of the account holder, the operating organization shall file a claim by April 30 of the year following the year in which the account holder made deposits into the individual development account with the department for a state savings refund. The claim shall be filed on Form 470-3482, Certification for State Savings Refunds, provided by the department. Based on the claim which the department shall transmit to the department of revenue, the department of revenue shall make a payment of a savings refund on amounts of up to \$2,000 per calendar year that an account holder deposits in the account holder's account. Moneys transferred to an individual development account from another account shall not be considered an account holder deposit for purposes of determining a savings refund. Payment shall be made directly to the account in the most appropriate manner as determined by the department. The state savings refund shall be the indicated percentage of the amount deposited in the calendar year as follows:

a. For an account holder with a household income which is 150 percent or less of the federal poverty level, 25 percent.

b. For an account holder with a household income which is more than 150 percent but less than 175 percent of the federal poverty level, 20 percent.

c. For an account holder with a household income which is 175 percent or more but not more than 200 percent of the federal poverty level, 15 percent.

d. For an account holder with a household income which is more than 200 percent of the federal poverty level, 0 percent.

**10.4(6) *Tax implications.*** Individual development accounts shall be subject to department of revenue rule 701—40.44(422,541A).